

Introduced by Senator SteinbergFebruary 21, 2013

An act to amend Section 10127.17 of the Insurance Code, relating to life insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 476, as introduced, Steinberg. Life insurance: consumer protection.

Existing law creates the Life and Annuity Consumer Protection Fund as a special account within the Insurance Fund. Existing law requires each insurer admitted to transact insurance in this state to pay a fee determined by the Insurance Commissioner, not to exceed \$1, for each individual life insurance policy and each individual annuity product that it issues to a resident of this state with a value of \$15,000 or more. If an insurer elects to charge the purchaser of a life insurance policy or annuity product this fee, the fee is required to be set forth as a separate charge in the contract schedule or premium notice. The moneys in the Life and Annuity Consumer Protection Fund are to be distributed, as provided, and are required to be used exclusively for the purpose of protecting consumers of life insurance and annuity products in this state.

This bill would make technical, nonsubstantive changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 10127.17 of the Insurance Code is
2 amended to read:

10127.17. (a) The Life and Annuity Consumer Protection Fund is hereby created as a special account within the Insurance Fund. Each insurer admitted to transact insurance in this state shall pay a fee to be determined by the commissioner, not to exceed one dollar (\$1), for each individual life insurance policy and each individual annuity product that it issues to a resident of this state with a value of fifteen thousand dollars (\$15,000) or more. If an insurer elects to charge the purchaser of a life insurance policy or annuity product this fee, the fee shall be set forth as a separate charge in the contract schedule or premium notice. Life insurance or annuity forms are not required to be filed again for review as a consequence of this provision. This fee shall be assessed on all new individual life insurance policies and annuity products issued during the prior 12 months, and shall be deposited into the Life and Annuity Consumer Protection Fund.

(b) Moneys in the Life and Annuity Consumer Protection Fund shall be distributed by the commissioner and shall be exclusively dedicated to protecting consumers of life insurance and annuity products in this state. Moneys in the fund shall not be used for any other purpose.

(c) Fifty percent of these funds shall be distributed within the department for consumer protection functions related to individual life insurance and annuity products, including, but not limited to:

(1) Investigating and prosecuting financial abuse by insurance licensees, or persons holding themselves out to be insurance licensees, or any person purporting to be engaged in the business of insurance.

(2) Responding to consumer inquiries and complaints related to life insurance or annuity products.

(3) Educating consumers in all aspects of life insurance and annuity products, consumer protection, purchasing and using insurance and annuity products, claim filing, benefit delivery, and dispute resolution.

(4) Regulating and overseeing life insurance and annuity products and advertising for these products directed toward consumers.

(d) Fifty percent of the funds shall be distributed to district attorneys for investigating and prosecuting individual life insurance and annuity product financial abuse cases involving insurance licensees, or persons holding themselves out to be insurance

1 licensees, or any person purporting to be engaged in the business
2 of insurance, and for other projects beneficial to insurance
3 consumers.

4 (1) The commissioner shall distribute funds to district attorneys
5 who are able to show a likely positive outcome that will benefit
6 consumers in the local jurisdiction based on specific criteria
7 ~~promulgated~~ *adopted* by the commissioner. Each local district
8 attorney desiring a portion of those funds shall submit ~~to the~~
9 ~~commissioner~~ an application *to the commissioner*, including, at a
10 minimum:

11 (A) The proposed use of the moneys and the anticipated
12 outcome.

13 (B) A list of all prior relevant cases or projects and a copy of
14 the final accounting for each. If cases or projects are ongoing, the
15 most recent accounting shall be provided.

16 (C) A detailed budget, including salaries, and general expenses,
17 and specifically identifying the cost of purchase or rental of
18 equipment or supplies.

19 (2) Each district attorney that receives funds pursuant to this
20 section shall submit a final detailed accounting at the conclusion
21 or closure of each case or project. For cases or projects that
22 continue longer than six months, interim accountings shall be
23 submitted every six months, or as otherwise directed by the
24 commissioner.

25 (3) Each district attorney that receives funds pursuant to this
26 section shall submit a final report to the commissioner, that may
27 be made public, as to the success of the case or project conducted.
28 The report shall provide information and statistics on the number
29 of active investigations, arrests, indictments, and convictions. The
30 applications for moneys, the distribution of moneys, and the annual
31 reports shall be public documents.

32 (4) Notwithstanding any other provision of this section,
33 information submitted to the commissioner pursuant to this section
34 concerning criminal investigations, whether active or inactive,
35 shall be confidential.

36 (5) The commissioner may conduct a fiscal audit of the programs
37 administered under this subdivision. This fiscal audit shall be
38 conducted by an internal audit unit of the department. The cost of
39 any fiscal audits shall be paid for from the Life and Annuity
40 Consumer Protection Fund ~~established by this section~~.

1 (6) If the commissioner determines that a district attorney is
2 unable or unwilling to investigate or prosecute a relevant financial
3 abuse case, the commissioner may discontinue distribution of funds
4 allocated for that matter and may redistribute those funds to other
5 eligible district attorneys.

6 (e) The funds received under this section shall be deposited in
7 the Life and Annuity Consumer Protection Fund within the
8 Insurance Fund, and shall be expended and distributed—~~as~~
9 ~~appropriated~~ *upon appropriation* by the Legislature for the
10 purposes of this section. The total amount contained in the Life
11 and Annuity Consumer Protection Fund shall not exceed five
12 million dollars (\$5,000,000) annually. If, as of June 30 of any
13 calendar year, the moneys in the fund exceed this amount, the
14 commissioner shall adjust the amount of the assessment for the
15 following year. An insurer, upon receipt of an invoice, shall
16 transmit payment to the department for deposit in the Life and
17 Annuity Consumer Protection Fund. Any balance remaining in
18 the Life and Annuity Consumer Protection Fund at the end of the
19 fiscal year shall be retained in the account and carried forward to
20 the next fiscal year.

21 (f) The commissioner may develop guidelines for implementing
22 or clarifying these provisions, including guidelines for the
23 allocation, distribution, and potential return of unused funds. The
24 commissioner may, from time to time, issue regulations for
25 implementing or clarifying these provisions.

26 (g) ~~The Commissioner~~ *commissioner* shall provide a
27 consolidated report annually on the department's Internet Web
28 site, ~~which~~ *that* shall include, but is not limited to, the following
29 information:

30 (1) The number of opened consumer complaints related to life
31 insurance or annuity products.

32 (2) The number of opened investigations related to life insurance
33 or annuity products.

34 (3) The number of investigations related to life insurance or
35 annuity products referred to and reported by prosecuting agencies.

36 (4) The number of administrative or regulatory cases related to
37 life insurance or annuity products referred to the department's
38 legal division.

39 (5) The number of administrative or regulatory enforcement
40 actions taken in cases related to life insurance or annuity products.

1 (6) Descriptions of education programs and efforts by the
2 department to educate consumers in all aspects of life insurance
3 and annuity products, consumer protection, purchasing and using
4 insurance and annuity products, claim filing, benefit delivery, and
5 dispute resolution.

6 (h) This section shall remain in effect only until January 1, 2015,
7 and as of that date is repealed, unless a later enacted statute, that
8 is enacted before January 1, 2015, deletes or extends that date.

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